

# *Legislative Performance Audit*

## *Committee*

### **Committee Members:**

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*Senator Heath Mello, Vice Chair*  
*Speaker Mike Flood*  
*Senator Annette Dubas*  
*Senator Lavon Heidemann*  
*Senator Bob Krist*  
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## **Scope Statement**

### **The Nebraska Advantage Act and Other Incentive Programs**

#### **Introduction**

On January 30, 2012, the Legislative Performance Audit Committee (Committee) directed the Legislative Audit Office to conduct an audit of tax incentive programs after completing an audit of the Nebraska Department of Roads. The Committee later narrowed the focus to the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, the Nebraska Advantage Microenterprise Tax Credit Act and the Nebraska Advantage Research and Development Act. This scope statement briefly provides background information and sets forth the specific questions the audit staff will answer during the audit.

#### **Background**

The Nebraska Advantage Act, created by LB 312 (2005), is a multifaceted business tax incentive bill that replaced LB 775 (1987), the Employment and Investment Growth Act, as the primary tax incentive package in Nebraska. LB 312 also contained the three other incentive acts listed above, which created programs that are much smaller—both in financial cost and in program applicants—than the program created by the Nebraska Advantage Act. The Committee selected this topic for audit to provide the Legislature with data on how well the programs are performing.

#### **Audit Scope**

The audit will address the following questions as they relate to the Nebraska Advantage Act. If time permits, the audit will address the same questions for one or more of the other three programs listed above.

1. What was the Nebraska Advantage Act created to do, and what were the projected costs and benefits when the Act was passed in 2005?
2. How do the program's actual costs and benefits compare to the projections? How does the modeling done by the Nebraska Department of Revenue compare to best practices?

The audit will also address these questions:

3. What does existing research say about the complexities of assessing tax incentive programs?
4. What are the requirements of the Tax Expenditure Reporting Act and is the Nebraska Department of Revenue complying with those requirements?

*Scope Statement adopted by the Legislative Performance Audit Committee October 26, 2012 and revised on November 16, 2012.*